

PPBS TO PPBE: A PROCESS OR PRINCIPLES?

BY

COLONEL STEVEN R. GRIMES
United States Army

DISTRIBUTION STATEMENT A:

Approved for Public Release.
Distribution is Unlimited.

USAWC CLASS OF 2008

This SRP is submitted in partial fulfillment of the requirements of the Master of Strategic Studies Degree. The views expressed in this student academic research paper are those of the author and do not reflect the official policy or position of the Department of the Army, Department of Defense, or the U.S. Government.



U.S. Army War College, Carlisle Barracks, PA 17013-5050

Report Documentation Page

*Form Approved
OMB No. 0704-0188*

Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.

1. REPORT DATE 15 MAR 2008	2. REPORT TYPE Strategy Research Project	3. DATES COVERED 00-00-2007 to 00-00-2008
		5b. GRANT NUMBER
		5c. PROGRAM ELEMENT NUMBER
		5e. TASK NUMBER
		5f. WORK UNIT NUMBER
		11. SPONSOR/MONITOR'S REPORT NUMBER(S)
<p style="text-align: right;">Standard Form 298 (Rev. 8-98) Prescribed by ANSI Std Z39-18</p>		

The U.S. Army War College is accredited by the Commission on Higher Education of the Middle State Association of Colleges and Schools, 3624 Market Street, Philadelphia, PA 19104, (215) 662-5606. The Commission on Higher Education is an institutional accrediting agency recognized by the U.S. Secretary of Education and the Council for Higher Education Accreditation.

USAWC STRATEGY RESEARCH PROJECT

PPBS TO PPBE: A PROCESS OR PRINCIPLES?

by

Colonel Steven R. Grimes
United States Army

Dr. Richard Meinhart
Project Adviser

This SRP is submitted in partial fulfillment of the requirements of the Master of Strategic Studies Degree. The U.S. Army War College is accredited by the Commission on Higher Education of the Middle States Association of Colleges and Schools, 3624 Market Street, Philadelphia, PA 19104, (215) 662-5606. The Commission on Higher Education is an institutional accrediting agency recognized by the U.S. Secretary of Education and the Council for Higher Education Accreditation.

The views expressed in this student academic research paper are those of the author and do not reflect the official policy or position of the Department of the Army, Department of Defense, or the U.S. Government.

U.S. Army War College
CARLISLE BARRACKS, PENNSYLVANIA 17013

ABSTRACT

AUTHOR: Colonel Steven R. Grimes

TITLE: PPBS To PPBE: A Process Or Principles?

FORMAT: Strategy Research Project

DATE: 25 March 2008 WORD COUNT: 5,857 PAGES: 34

KEY TERMS: Resources, Planning, Programming, Budget

CLASSIFICATION: Unclassified

The nature and size of the current Defense Budget illustrates the importance of two broad questions: *How much is enough?* and *How much risk are we willing to take?* The key issue this paper addressed is how does the Defense Department go about answering such questions. This paper first examined this department's most important resource management system, the Planning, Programming and Budgeting System (PPBS) developed by Secretary McNamara, and then how it evolved into the current Planning, Programming, Budgeting and Execution (PPBE) process. This paper then analyzed the relevancy of this process in today's complex, global strategic environment. Key insights from proponents and detractors who analyzed these systems and processes were explored. Research indicated that the original principles embedded in the PPBS provided a credible means of arriving at the necessary decisions to shape the Defense program and a sustainable basis for defending them. Based on this research, three recommendations were proposed that involved evaluating the current process on a regular timeline, providing accurate guidance to users, and centrally educating participants in the PPBE process.

PPBS TO PPBE: A PROCESS OR PRINCIPLES?

Secretary of Defense McNamara, who is the Secretary of Defense that developed the Planning Programming and Budget System, stated in April of 1963 "You cannot make decisions simply by asking yourself whether something might be nice to have. You have to make a judgment on how much is enough."¹ Over forty years later, that same question still resonates with key Department of Defense (DoD) leaders with only a slight, albeit important, modification. According to Dr Chu, current Deputy Secretary of Defense for Personnel and Readiness and Mr Krieg, former Under Secretary of Defense for Acquisition, Technology and Logistics, "If,..., we could offer one corollary to the seminal question of *How Much is Enough?* It would be: *How much risk are we willing to take?*"²

The nature and size of the current Defense Budget illustrates the importance of these two broad questions. The FY 2008 President's Budget (PB) request surpassed half a trillion dollars for defense, and this request exceeds the combined budgets of all other federal agencies and departments.³ Additionally, as the population ages the government continues committing increasing portions of federal spending to provide economic security and health care.⁴ Federal expenditures for social security and health insurance grew from 18 percent in 1964 to 41 percent in 2007 of the federal budget, and without sizable tax increases, will approach 58 percent in the year 2025.⁵ With limited resources available and competing demands for civilian departments and non-defense programs,⁶ DoD leaders must have processes that can inform their decision making and ultimately help justify the enormity of the budget requests sent to Congress. The key issue this paper will examine is how does DoD go about answering such questions. This

paper first examines the Defense Department's most important resource management system -- the Planning, Programming and Budgeting System (PPBS) developed by Secretary McNamara -- and then how it evolved into the current Planning, Programming, Budgeting and Execution (PPBE) process. This paper will next address the relevancy of this system in today's complex, global strategic environment. Key insights from proponents and detractors who analyzed these systems and processes will be explored with the goal of offering recommendations for change or areas that require further examination. As history informs decision makers, this paper begins by tracing the beginnings of PPBS back over 45 years to President Kennedy's administration and Secretary Robert McNamara.

In the Beginning:

In 1961, Robert McNamara sought a more active role in managing the Department of Defense (DoD) by exercising to a greater extent the statutory authorities available to him as the Secretary of Defense.⁷ Secretary McNamara wanted to achieve the following two key strategic management challenges: (1) integrate and balance foreign policy, military strategy, force requirements, and the defense budget and (2) approach all defense programs in a rational and analytical way and base resolutions on national interest.⁸

The Secretary faced a daunting task as this was going against the current Defense Department's management culture. Prior to 1961, legal authorities existed that placed the role of the Secretary of Defense as the operating head of DoD, but they were not exercised.⁹ Each Service focused on its own priorities, which was considered detrimental to joint missions and resulted in effectively unbalanced military forces.¹⁰ It

became evident that up until that time, the Secretaries of Defense lacked the necessary management and control tools to support a more active strategy and management role envisioned by Secretary McNamara.¹¹ With no real independent and integrated staff support, the DoD lacked central leadership in their interaction with the Services. The Defense Secretaries played more as a judge or referee versus a leader.¹² Secretary McNamara changed that by taking two important and interrelated actions. First he directed a systematic analysis of all DoD requirements and incorporated these requirements into a five-year, program-oriented defense budget.¹³ Then, he directed actions which resulted in formation of a rational resource allocation system that was later called the Planning, Programming and Budgeting System (PPBS)¹⁴—the precursor to the current PPBE process.

Leading the systematic analysis and the actions directed by the Secretary fell to Charles J. Hitch, the Assistant Secretary (Comptroller), and who is regarded as the father of PPBS.¹⁵ He viewed his key responsibility as a developer of management techniques, which would then empower the Secretary, by providing the unbiased management data to enable him to actively lead the department.¹⁶ Accomplishing goals for such a large organization does not result from luck. A complex organization needs to establish a **process**—a systematic series of actions directed to some end,¹⁷ or **articulate enduring underlying principles**—fundamental doctrine or tenet,¹⁸ or **develop a system**—an ordered and comprehensive assemblage of facts, principles, doctrines, or the like in a particular field of knowledge or thought.¹⁹ The DoD, under the leadership of Charles Hitch, developed PPBS as a system, which had underlying process and basic principles.²⁰ The general design, though, of PPBS came from work

done prior by Mr Hitch and others at the RAND Corporation, a Federal Contract Research Center (FCRC) in the late 1950s.²¹ It took the convergence of the leadership of Secretary McNamara, the drive and experience of Mr. Hitch as well as the technical expertise of Mr. Alain Enthoven to bring these ideas into being within the DoD.²²

The main purpose of PPBS was to develop explicit criteria, open to thorough debate by all interested parties, that the Secretary of Defense, the President and Congress could use to measure the requirement for and sufficiency of defense programs.²³ Central to this purpose was to link, integrate, and provide a bridge between planning and budgeting, so that planning would be fiscally informed and annual budgets would follow instead of leading plans.²⁴ The PPBS developed by Hitch and others on Secretary McNamara's staff facilitated fulfilling the purpose by identifying the system's fundamental principles.

There are six fundamental principles that underpinned the PPBS. First, decision making must be based on explicit criteria of national interest in defense programs, as opposed to compromise among entities associated with DoD.²⁵ Second, leaders need to consider military needs and cost together, because decisions concerning forces and budgets cannot be made absent one or the other.²⁶ Third, senior decision makers must explicitly consider balanced and feasible alternatives that incorporate costs, forces, and strategies together in any alternatives.²⁷ Fourth, leaders must have and actively use an independent analytical staff at the top policy making levels.²⁸ Fifth, the outcome of this system must result in developing a multiyear force and financial plan which incorporates forces and costs and projects into the future to identify the foreseeable implication of

current decisions.²⁹ Finally, leaders must conduct open and explicit analysis, which is made available to all interested parties.³⁰

To translate these ideas into workable entities, management products and organizations needed to be developed. Two key decision and management products developed were: the Five-Year Force Structure and Financial Plan, now called the Five-Year Defense Plan (FYDP), and the Draft Presidential Memorandum (DPM). To develop these two key products, the Systems Analysis office had to be established and the use of systems analysis techniques needed to be inculcated within the DoD, which was a significant challenge.³¹

The FYDP projected forces, manpower, and costs into the future. Composed of program elements (PEs), the FYDP aggregated the costs and benefits of complementary and substitutable entities into mutually exclusive and collectively exhaustive Major Force Programs (MFPs), which represented the capabilities that are the outputs of the defense program.³² The FYDP provided an official set of planning assumptions for use throughout the Department. It served as an authoritative record of the Secretary of Defense's force and financial planning decisions and forecasts that then became a common reference point for any future changes.³³ The DPM structured the process so that it kept to the basic issues, afforded opportunity for comments by all interested parties, and offered an impartial report of alternatives to the Secretary.³⁴ Systems Analysis – both the office and the associated techniques – applied the principles of rational decision making to the problems of national defense. The office and technique clarified the decisions facing the Secretary by explicitly identifying

assumptions, carefully validating facts, and ensuring presentation of balanced, feasible and comprehensive alternatives.³⁵

Though these two products and the implementing office and analysis were of great importance to PPBS's use and value, Alain Enthoven, who led the Systems Analysis effort under Secretary McNamara, goes further as he explicitly lists the underlying principles for PPBS as *the fundamental ideas* that make this system so valuable.³⁶ Yet, little mention of these can be found in the many later discussions concerning PPBS and PPBE, which can lead one to the erroneous belief that PPBS and PPBE are synonymous with just their detailed supporting processes. A review of the major modifications to the PPBS over the years will lead to a better understanding of how some change undertaken either supports the underlying fundamental ideas or not and that the effect can be a result of happenstance and not explicit design.

The Modifications

Over the last four decades, the original PPBS process has undergone numerous modifications or adjustments, but they were mainly evolutionary in nature. The evolution of the PPBS can be traced to the management styles Secretaries of Defense (SecDefs) used in resolving the issues they faced as well as the challenges.³⁷ The actions taken by presidential administrations highlight how the PPBS evolved.³⁸

The first major and most enduring change in the PPBS occurred during President Nixon's administration. Secretary of Defense Melvin Laird, made a fundamental change in that the Office of the Secretary of Defense (OSD) no longer centrally directed detailed program proposals. Instead, the Secretary favored a participatory management style and therefore eliminated DPMs and created a guidance process.³⁹ The Joint Chiefs and

the Services became responsible for force planning (requirements determination) and the Services for initial program development, which left OSD to review and evaluate the programs proposed by the Services.⁴⁰ The Services were each issued fiscal guidance, often referred to as the *topline*, and programmatic objectives. Fiscal Guidance defined the resources available to the Services, and Defense Strategy Guidance prescribed the capabilities the Services were to provide in their Program Objectives Memorandums (POMs).⁴¹ OSD reviewed the POMs, identified issues for consideration by the Secretary, and prepared papers delineating those issues. The Secretary's decisions on the issues, were codified in a Program Decision Memorandum (PDM), and incorporated into the FYDP.⁴² In general terms, this approach stills exist today.

Over the next forty years, the defense program was affected by four trends; first, increased congressional involvement as evidenced by the increase in the Defense Appropriations Act from fewer than twenty pages to over four hundred pages in 2003;⁴³ second, continual advances in the analytic capabilities within each of the services; third, increase OSD interest in sub elements of the defense program; and finally, increasing joint staff and combatant commander involvement in shaping the defense program.⁴⁴ Additional analysis of the specific administrations' influences can be found in the *How the Army Runs A Senior Leader Reference Handbook 2007-2008* and in the OSD (Program Analysis and Evaluation) presentation *DoD's Planning, Programming and Budgeting System (PPBS), A Historical Perspective*.⁴⁵ The main debates and the ebbs and flows of change that occur within administrations and as administrations transition are primarily concerned with the amount of guidance emanating from the Secretary and the degree of review that a component's POM receive.⁴⁶

The PPBS transformed, not only in its acronym metamorphosis into the PPBE process in 2003, but there were other evolutionary enhancements to place more emphasis on planning, gain more input from the Combatant Commanders and focus on capabilities. While a discussion covering the changes that occurred will be presented later under the section titled *The Current Process*, this paper will now discuss insights of two key organizations that analyzed PPBE's strengths and weaknesses, which then led to some of these reforms.

PPBS Analysis and Perspectives

In addition to the events undertaken by administrations identified earlier, several important reports or studies have focused on PPBS and PPBE. Two organizations that conducted reports of particular interest were: The Business Executives for National Security (BENS) who authored an important report in 2000; and the Center for Strategic and International Studies (CSIS) who compiled a later second study in 2004. Both works contained a comprehensive analysis that reflected well on their overall quality, and they relied on relatively current material for their analysis, recommendations and conclusions.

In 2000, the Business Executives for National Security (BENS) released a compressive report on PPBS. BENS described itself as a nationwide, non-partisan public interest group, and a conduit through which senior business executives help enhance the nation's security. To focus on this stated mission, BENS claimed they are motivated by only one special interest: to help make America safe and secure.⁴⁷ This claim increased the importance and perhaps the credibility of their report. Released near the beginning of a new administration, the report presented recommendations that

had a higher likelihood of being reviewed, as it is the common practice for a new administration to review existing practices and emplace its own methods of leadership and management. Available business perspective analysis, such as the BENs report, could only help the administration's review and actions.

The BENs report examined the PPBS process to determine if PPBS was meeting the needs of senior Defense Department officials in establishing a longer term defense program reflected in an annual budget. The study examined what the process is intended to do, what it actually does, and whether it should be retained, modified, or replaced in favor of some newer management construct.⁴⁸ The BENs report offered several important critiques of PPBS and notable recommendations to improve the system. The report also acknowledged what was termed a "rather surprising observation resulting from the interviews" conducted as part of the study as illustrated by the following comment:

Despite the common view that PPBS reflects an out-dated management approach, senior officials throughout the federal government in agencies other than DoD, and from executive branch offices having multi-departmental responsibility, almost universally perceived PPBS to be superior to any other resource allocation process in the executive branch.⁴⁹

While this comment would lead one to consider whether such relatively supportive views of PPBS indicate that little exists upon which to improve, BENs authors concluded that the strategic and technological environment had changed since the inception of the PPBS. This change required a strategic planning process that facilitates rather than hinders change, and they addressed concerns that the current Pentagon processes are part of the problem.⁵⁰ The most notable critique that BENs reported in 2000, which spoke volumes about a broken process, was that the Pentagon's PPBS

was close to being a ritual event instead of a proactive process. The implication was that PPBS referred more to what had been, instead of what needed to be accomplished, and it was essentially a system of justification instead of anticipation.⁵¹

This BENS group identified six major improvements to provide significant process and output enhancements to meet emerging defense needs.⁵² These improvements were broadly identified as being structural, procedural, or technical in nature.⁵³ The first category focused on whether modifying key elements used in the practice of PPBS would be beneficial. An example would be modification of the data structure in the FYDP. The second category included items that are “structurally sound, but procedurally under-utilized or ineffectively synchronized,” and an example cited was to transition to two-year budgeting cycles instead of an annual budget cycle.⁵⁴ The last category described efforts focused on accounting and the development of measures of performance and effectiveness useful for an organization as large as the DoD.⁵⁵ An example of this category would be developing measures for significant but competing activities, such as readiness and investment.⁵⁶

The procedural improvements recommended are most notable because of their similarities to aspects of the current PPBE process. As an example, the first procedural recommendation was to better manage and sequence the process. This is partially reflected in the current practice of issuing integrated program and budget review guidance, which is coordinated between the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) and the Director, Programs Analysis and Evaluation (D,PA&E).⁵⁷ The integrated guidance attempts to provide tighter management so that guidance can be sequentially and smoothly translated into programmatic and budget

detail.⁵⁸ The second recommendation was to adopt a two-year cycle, which is the current practice essentially mandated by Management Initiative Directive (MID) 913.⁵⁹ This was essentially accomplished with the exception of the budget, which Congress mandates as an annual requirement. The MID 913 and the current process will be discussed in the later section titled -- The Current Process.

More recently, the Center for Strategic and International Studies (CSIS) produced a study under the heading Beyond Goldwater-Nichols: Defense Reform for a New Strategic Era. CSIS focused primarily on three subject areas, one of which was national security. John J. Hamre, formerly U.S. Deputy Secretary of Defense, headed the company and former Senator Sam Nunn chaired the board of trustees, which consists of individuals from both the public and private sectors.⁶⁰ Funding for the report came from the U.S. Congress through the FY 2004 appropriations bill for the Defense Department. Collectively, the composition of the company's leadership and the relationship with the U.S. Congress lent credibility to this report's analysis and recommendations. Two phases of the study critiqued the PPBE system and offered three broad recommendations.

A main area of this study's critique focused on the resource allocation process, which was viewed as stifling innovation. This process had disconnects between strategic planning, program and budgeting decisions, and also there was inadequate focus on program execution and policy implementation.⁶¹ To address these areas, the first CSIS recommendation supported continued strengthening of the DoD's strategic direction and joint capabilities in the resourcing allocation process. In particular, they recommended building capabilities within Combatant Commands (COCOMS) to

participate more actively in the resource allocation process.⁶² CSIS additionally recommended enhancing the analytical abilities within the Office of Program Analysis and Evaluation (PA&E) to provide additional independent analysis concerning joint programs when that provided by the Services and the Joint Staff was deficient or lacking.⁶³ CSIS's last recommendation was to create another OSD staff office responsible for independent, continuous policy implementation, and execution review. Additionally, this office would gather all authoritative and directive guidance to establish a single, unified statement of the strategies as well as policies and programs to be followed, implemented, and executed.⁶⁴

In addition to the two key studies briefly described, DoD senior leaders had strong viewpoints about the quality of the system they inherited. Donald H. Rumsfeld, who was sworn in as the 21st Secretary of Defense in 2001, made clear his intention to change the way the Department planned, programmed, and budgeted.⁶⁵ When commenting on agility of this management system to respond to quickly changing threats, then Secretary Rumsfeld identified that it needed overhaul because: "It's really a relic of the Cold War... PPBS is, I suppose, one of the last vestiges of central planning on Earth."⁶⁶ The changes implemented during the Bush Administration by Secretary Rumsfeld transformed PPBS into the process known now as PPBE.

With the changes resulting from the management and leadership styles resident in the nine administrations spanning the last 45 years, and the changes resulting from acceptance of recommendations from credentialed analytic groups, the PPBS has certainly evolved. There are instances in which ideas seemed reasonable and workable—for example incorporate practices from private industry into the PPBS

process—but upon investigation, falter. A key issue to appreciate when analyzing reports is that the DoD is different from private corporations in some significant ways, and what works in the business world faces constraints on implementation and may not work in the DoD.⁶⁷

The Current Process

Over ten years ago, the DoD began a FYDP improvement project that aimed to do the following: develop and operate systems to collect FYDP and supplementary data; automate report publication; improve its structure; improve efficiency and effectiveness of associated processes, systems, and data; and finally make data available for broad DoD analysis using analytical tools and integrated displays.⁶⁸ To meet these goals, PA&E created an authoritative database for accessing and analyzing DoD strategic resource information. In 1997, the database generated basic reports, contained a limited amount of query-ready data, and allowed components to upload limited data needed to support the PPBE process. The database is now the single authoritative database for accessing and analyzing DoD strategic resource information which includes program, budget, acquisition, manpower, and forces data and the FYDP.⁶⁹ The FYDP improvement project was a clear example of DoD striving for data transparency accessible to all the components, which was a key principal of the original system. This improvement project served as the basis for future reforms.

Upon Secretary Rumsfeld's arrival transforming the department was his highest priority, and this transformation also included processes.⁷⁰ In 2001, a more rigid alignment of the program and budget was introduced, which required the components to prepare a combined Program Objective Memorandum and Budget Estimate Submission

(POM/BES) followed by an OSD concurrent program and budget review.⁷¹ MID 913 and several recommendations from the Joint Defense Capabilities Study, also known as the Aldridge Committee, were implemented. For example, MID 913 morphed PPBS into PPBE and instituted a biennial resource allocation process within a quadrennial planning cycle as shown in Figure 1. Programs and budgets were formulated in the first year of each biennial segment, the budget covered a 2-year time span, and the program encompassed an additional 4 years. During the second year of each biennial segment, programs and budgets were updated with necessary fact-of-life and policy changes. The PPBE process facilitated execution reviews of past decisions and actions. The reviews assessed the actual performance of programs individually and collectively relative to goals and targets. Recommendations from these reviews were then linked to decisions on future resource allocations and products of the acquisition and requirements processes were accepted as inputs to the PPBE system.⁷²

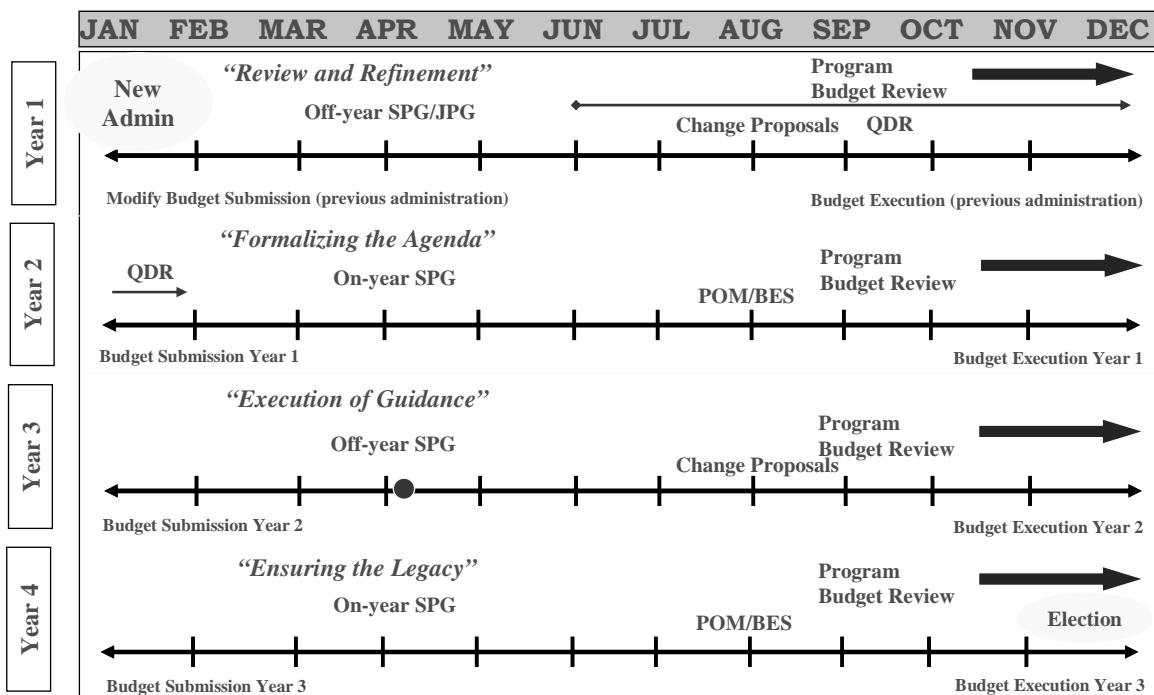


Figure 1⁷³: MID 913 – 4 Years in the 2-Year cycle

The PPBS system was viewed among other things, as lacking senior leader focus on providing guidance and making decisions in the *front end* of the process⁷⁴ The Joint Defense Capabilities Study envisioned a process in which this front end focus could occur, as depicted in Figure 2.⁷⁵

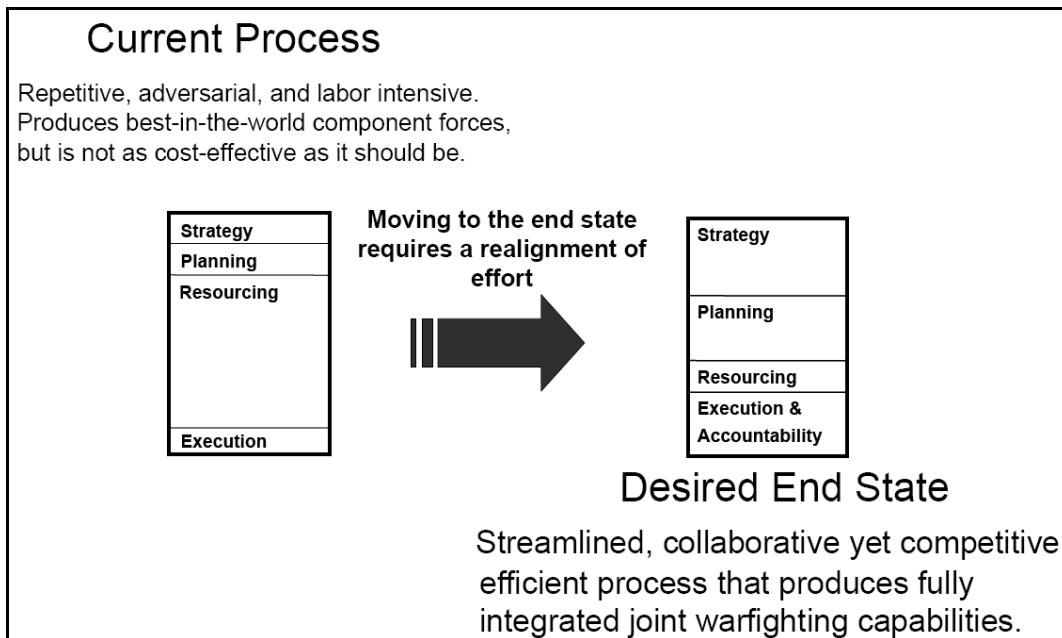


Figure 2⁷⁶: Current vs Desired End State envisioned by Joint Defense Capabilities Study

The process flow that supported arriving at the desired end state in Figure 2 is shown in Figure 3. This new process has four major elements: strategy, enhanced planning, resourcing, and execution and accountability.⁷⁷ These elements differ from the processes they replaced in four key ways. First, Combatant Commanders have an enhanced role in shaping the defense strategy articulated in Strategic Planning Guidance (SPG). Second, the Enhanced Planning Process supports assessment of capabilities to meet joint needs. Third, the Joint Programming Guidance (JPG) reflects the decisions made in the Enhanced Planning Process and provides fiscally executable guidance for the development of the Components' programs. Finally, the new process

focuses on performance assessment and is organized around the capabilities categories and objectives outlined in the SPG and addressed in the JPG. The SPG and JPG, along with the decision making bodies that develop them, are more fully covered later for they are at the heart of this new process.⁷⁸

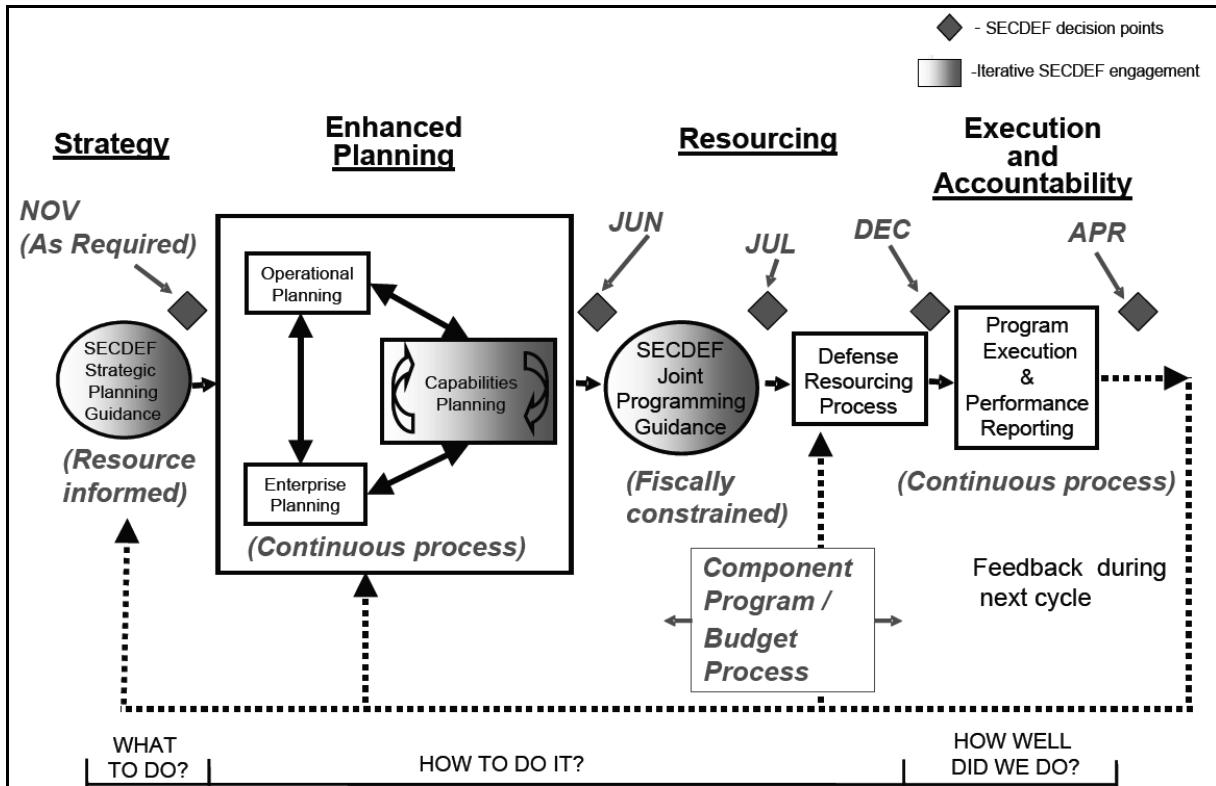


Figure 3⁷⁹: The End State Process for PPBE.

Figure 4 shows how the PPBE process lays out over a calendar year. As portrayed in this figure, the mini-POM was eliminated and the amended budget estimate submission year, program change proposals (PCPs) and budget change proposals (BCPs) were introduced and eventually consolidated into one process renamed as Change Proposals (CPs). Several recommendations of the JDCS were instituted which eliminated and replaced the Defense Planning Guidance (DPG) with the SPG and the JPG discussed earlier. Additionally, the Secretary focused the Enhanced Planning

Process (EPP) as a joint capabilities-based forum to analyze his identified issues, develop alternative solutions to resolve these issues, and determine the joint implications associated with each alternative solution.

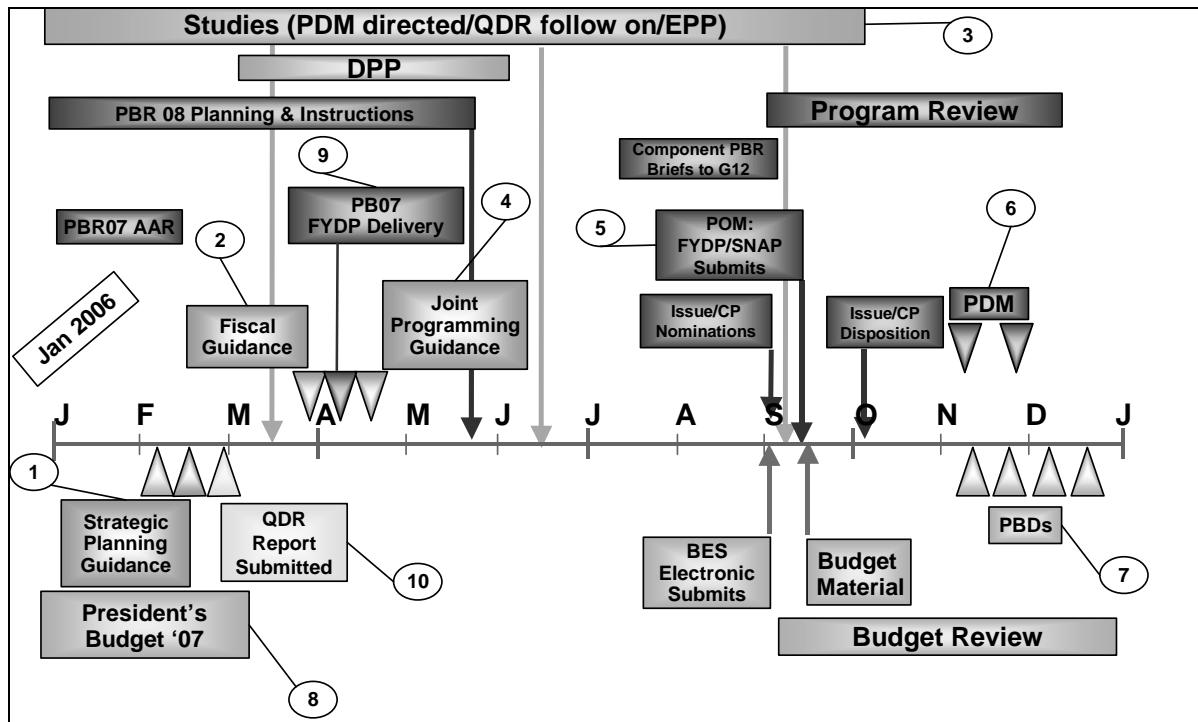


Figure 44⁸⁰: Depiction of typical PPBE deliverables and associated events.

Under the direction of the Under Secretary of Defense for Policy, USD(P), the OSD staff works in coordination with the Combatant Commands, Services, and Joint Staff to finalize and issue the SPG. The SPG provides the DoD components Defense policy, strategy and programmatic guidance on significant issues. This guidance is updated as necessary in order to provide top down, resource-informed strategic direction. The Strategic Planning Council (SPC), chaired by the SecDef and composed of Senior Leader Review Group (SLRG) Principals and all Combatant Commanders, drives the development of SPG. The SPG is designed to facilitate an enhanced, collaborative, capabilities-based joint planning process known as the enhanced planning process

(EPP) addressing both operational and enterprise issues. As such, it is the single, unified, fiscally-informed document covering both warfighting and enterprise capabilities.⁸¹ This planning process analyzes capability gap issues provided by the SecDef. Alternative solutions to resolve the issues along with their associated joint implications are developed and presented to the SecDef for decision. The SPC reviews the capability gap issues and solutions developed in the planning process to ensure congruency with strategy.⁸²

Following the SecDef's decisions, fiscally constrained Joint Programming Guidance (JPG) is developed and issued in the April/May timeframe to implement those decisions.⁸³ The JPG solidifies the decisions made within a given year and subjects the totality of the guidance to a fiscal adequacy test to ensure that the Services and Defense Agencies have sufficient resources to comply with the guidance.⁸⁴ About the same time the JPG is published, OSD provides fiscal guidance (total obligation authority) to the components for each of the six program years in the FYDP. Fiscal Guidance is the means by which the Secretary of Defense provides top-level resource constraints to each of the Department's components. OSD develops this fiscal guidance with direction from the President's Office of Management and Budget (OMB).

The Enhanced Planning Process is designed to link strategy to program development using three primary means; first, by evaluating current capabilities; second, by analyzing gaps and excesses; and finally, through recommended alternatives for the Secretary of Defense's decisions. These decisions are captured in a rolling capabilities plan and are then disseminated for action through the JPG. At the heart of the process is a comparison of current capabilities with those needed to

perform tasks and missions using scenarios and concepts to give context to the tasks and missions. This comparison begins the process that shapes future capabilities. Any imbalances can be characterized as capability gaps or capability excesses, implying that tasks or missions cannot be accomplished with existing capabilities or unnecessary redundancy exists or a specific capability is no longer needed.

In concluding this description of the existing process, there are a few other technical terms and acronyms one must know. The term Program Objective Memorandum (POM) now incorporates all the data and documents that reflect the components' resource allocation decisions, to include those that respond to and that are in accordance with the SPG and JPG, and other DoD programming guidance.⁸⁵ A Program Decision Memorandum (PDM) is a decision document of the Secretary of Defense, with directive programmatic content reflecting broad strategic trades, related to programs with specific resource allocations.⁸⁶ A Program Budget Decision (PBD) is a budget decision document issued during the joint review of Service budget submissions by OSD and by the OMB. The President's Budget (PB) submission to Congress occurs on or after the first Monday in January but not later than the first Monday in February of each year, for requirements for the following fiscal year and includes a budget message and summary and supporting information.⁸⁷ The Future-Years Defense Program (FYDP) is a database of future and historical years' programs and resources of the Department of Defense that summarizes resources (i.e., TOA, manpower, and forces) associated by fiscal year with Defense programs. These programs reflect decisions embodied in PPBE documents including the SPG, fiscal guidance, JPG, PDMs, and

PBDs, all of which are all internal DoD documents that are not available for public release.⁸⁸

Recommendations

Based on this research, three recommendations are proposed. The first recommendation concerns a need to evaluate the current process on a regular timeline. The PPBS had been in place for numerous years, and though administrations made changes mainly based on management and leadership styles, review of the actual process was not on an established time schedule and seemed to occur at the point when disconnects were apparent. A more proactive approach should be pursued with the current PPBE process. The PPBE process has been in place since 2004. Both Dr Chu and Mr Krieg thought it was at least partially successful in 2004. In addition to believing that the approach holds great promise, they also believed it implements the six fundamental ideas of the original PPBS.⁸⁹ With this knowledge in mind and knowing that PPBE has been in place for an additional three POM cycles with a forth about soon to begin, DoD should put in motion means to review the success, failures or challenges to the current PPBE process and do so on a recurring basis. The review should include challenging how well the process supports the six original fundamental principles either in the preferred holistic manner or by focusing on one or more of the principles at a time. The PA&E office currently conducts after action reviews following each program and budget review, but supplementing this review in conjunction with an outside agency would probably be beneficial, as indicated by the BENS and CSIS reports.

The second recommendation addresses the need to provide accurate guidance to DoD components. The PPBE process was dictated by MID 913 in May, 2003; however,

the DoD "doctrinal" documents for PPBE are outdated. For example, DoD Instruction 7045.7, "The Planning, Programming and Budgeting System" is dated May 23, 1984 with an Administrative Reissuance Incorporating Change 1, April 9, 1987.⁹⁰ DoD 7045.7 establishes procedural guidance in support of DoD Directive 7045.14, "The Planning, Programming, and Budgeting System (PPBS)," for the formulation, submission, analysis, review and approval of new and revised DoD plans, programs and budgets; the processing and approval of resource changes to the Five Year Defense Program (FYDP); and the maintenance and updating of the FYDP structure.⁹¹ DoD 7045.14 is dated May 22, 1984, and was certified current as of November 21, 2003. It obviously is not current. In order to help support the legitimacy of the PPBE process, the main DoD instructions for PPBE must be updated, which also gives confidence to those participating in the process and a means to learn to those who have not experienced it. Any updates ought to include the basis for the system, that is centered around the six fundamental principles.

The last recommendation addresses the need to provide an opportunity to centrally educate participants in the PPBE process in order that all those involved in it can share a common fundamental doctrinal basis. While the military services and several other DoD components provide some degree of education or training related to the PPBE system, centralized training is needed. This would include providing a common understanding that would enhance the commonality and provide a basis for shared language. A variety of means could be used to accomplish this to include exportable training packages either available online or with classroom instruction. Both of these are means currently used by DoD components. A necessary requirement for

any training would be readings from “How much is enough?” shaping the Defense Program 1961-1969 by Alain Enthoven and K. Wane Smith, so history can inform our current senior leaders. The first three chapters of this book that explain why PPBS existed and its enduring themes would resonate today. Indeed the Under Secretaries of Defense for Acquisition, Technology and Logistics (USD(AT&L)) and Personnel and Readiness (P&R) found the original book of such value, they provided support for a new edition as well as the remarks in the forward of the 2005 edition.⁹²

Conclusion

Although modified frequently, PPBS evolved into PPBE and exists today because PPBS was never meant to be a closed, rigid or perfected management system. As examined, PPBS/PPBE is more a philosophy of management to guide DoD leaders along a more rational and objective approach than would otherwise be undertaken.⁹³ Due to the enormity of the programs and resourcing dollars associated with meeting the nation's defense needs, there are necessarily many actions and requirements placed upon DoD components. Components thus often view PPBE as taxing, overly complex and unresponsive to some of their concerns.

A variety and multitude of thoughts exist on the current relevancy and purpose of PPBE, the benefits and problems it brings to the Defense Department for allocating resources, and ways in which to “fix” it. Though it can be described by some as a complex series of overlapping processes, since its inception the foundation principles for PPBS and PPBE have endured through nine administrations. It continues to provide the fundamental structure and process under which military strategy is developed and translated into an annual defense budget—“A marvel of management or bureaucratic

excess.”⁹⁴ Pressure to modify aspects of the process, some with merit, still must account for realities that are often out of DoD’s control. Both in PPBS and in PPBE, planning and programming can be essentially continuous activities, with only internal DoD calendar constraints on when to allow changes to be proposed, considered and decided upon.⁹⁵ Though there are no established deadlines associated with most of the activities, there are indeed two that are in law and are not likely to change, the President’s Budget (PB) in February each year and a FYDP that must be delivered to Congress after submission of the PB.

But with over 45 years of various changes at the margins, time supports Charles Hitch’s belief that “...the programming system can be adapted without too much difficulty to almost any style of leadership...Every Secretary will have his own style—his own manner of approaching and making decisions—and management techniques must be adapted to the Secretary...But I cannot imagine a Defense Secretary who would willingly forego the assurance provided by the new planning-programming-budgeting system...”⁹⁶ Hitch provided a the following caveat that should be well heeded for it reminds leaders to not rely exclusively on the pieces of the process without regard to the overall goal of the process; “They [PPBS] are not substitutes for the collective military wisdom and experience of the Joint Chiefs of Staff, or the administrative and organizational skills of the Military Services, or for the technical knowledge and judgment of our scientists and engineers, or the professional know-how and leadership of our commanders in the field. Rather, they are intended to channel all of these energies and talents to the single overriding objective—the defense of the Nation.”⁹⁷ More recent observations from senior leaders reinforce Hitch’s beliefs. Mr Krieg and Dr. Chu

noted in 2005 that the “original principles of the PPBS provide the only credible means of arriving at the necessary decisions and the only sustainable basis for defending them. This broad juxtaposition of needs and cost thus forces us back to the six simple and profound ideas...”⁹⁸

Endnotes

¹ Alain C. Enthoven and K. Wayne Smith, *How Much is Enough: Shaping the Defense Program 1961-1969* (Santa Monica: Rand, 2005), 339. Enthoven and Smith cite the sources as Robert S McNamara, *Remarks before the American Society of NewsPaper Editors*, Washington, D.C., April 20, 1963 and as DoD Press Release, No. 548-63.

² Alain C. Enthoven and K. Wayne Smith, *How Much is Enough: Shaping the Defense Program 1961-1969* (Santa Monica: Rand, 2005), xiv. Dr Chu is the Under Secretary of Defense for Personnel and Readiness, Mr Krieg was under Secretary of Defense for Acquisition, Technology and Logistics; both previously served as Director for Program Analysis and Evaluation in the Office of the Secretary of Defense.

³ Association of the United States Army (AUSA), *Fiscal Year 2008 Army Budget, An Analysis* (Arlington: AUSA, 2007), 5,19, 20. This includes dollars for both the base budget and Global War on Terror (GWOT) supplemental requests. Additional data from the FY 2009 U.S. Department of Defense FISCAL YEAR 2009 BUDGET REQUEST Rollout, Slide presentation, dtd February 4 2008 and OSC(C) website and justification materials indicates the same trends.

⁴ Enthoven and Smith, xiii and AUSA, 11, table 6.

⁵ AUSA, 11, table 6 and Enthoven and Smith, xiii.

⁶ AUSA, 5.

⁷ Enthoven and Smith, 33.

⁸ Ibid., 31.

⁹ Charles J. Hitch, *Decision-Making in the Department of Defense* (Berkeley: University of California Press, 1965), 12 and Charles J. Hitch, *Decision-Making for Defense* (Berkeley: University of California Press, 1965), 17.

¹⁰ Hitch, *Decision-Making in the Department of Defense*,12 and Hitch *Decision-Making for Defense*, 24.

¹¹ Hitch, *Decision-Making in the Department of Defense*, 12 and Hitch, *Decision-Making for Defense*, 21.

¹² Center for Naval Analyses, *Naval Studies Group Proceedings; Conference on the Defense Planning, Programming, and Budgeting System (PPBS): Past Present, and Future* (Alexandria, VA: Center for Naval Analyses, 1983), 49.

¹³ Enthoven and Smith, 33.

¹⁴ Ibid.

¹⁵ Ibid., xix.

¹⁶ Charles J. Hitch, "Management Problems of Large Organizations," *Operations Research* 44 (March – April 1996): 258.

¹⁷ Dictionary.com Unabridged (v 1.1) Random House Unabridged Dictionary, 2006, s.v. "process," available from <http://dictionary.reference.com/browse/process;Internet>; accessed 2 March, 2008.

¹⁸ Dictionary.com Unabridged (v 1.1) Random House Unabridged Dictionary, 2006, s.v. "principles," available from <http://dictionary.reference.com/browse/process;Internet>; accessed 2 March, 2008.

¹⁹ Dictionary.com Unabridged (v 1.1) Random House Unabridged Dictionary, 2006, s.v. "system," available from <http://dictionary.reference.com/browse/process;Internet>; accessed 2 March, 2008.

²⁰ Hitch, "Management Problems of Large Organizations," 258.

²¹ Center for Naval Analyses, 50-51.

²² Center for Naval Analyses, 50.

²³ Enthoven and Smith, 33.

²⁴ Hitch, "Management Problems of Large Organizations," 259.

²⁵ Enthoven and Smith, 33 and Center for Naval Analyses, 50.

²⁶ Enthoven and Smith, 35 and Center for Naval Analyses, 50.

²⁷ Enthoven and Smith, 38 and Center for Naval Analyses, 50.

²⁸ Enthoven and Smith, 42 and Center for Naval Analyses, 50.

²⁹ Enthoven and Smith, 44 and Center for Naval Analyses, 50.

³⁰ Enthoven and Smith, 45 and Center for Naval Analyses, 50.

³¹ Enthoven and Smith, 48.

³² Vance Gordon, David McNicol, and Bryan Jack, *Revolution, Counter-Revolution, and Evolution: A Brief History of the PPBS*, 3. The author was provided this document for

background on the Program Review process when working on the Office of Secretary of Defense staff in the Program Analysis and Evaluation Directorate (OSD(PA&E)).

³³ Enthoven and Smith, 49.

³⁴ Gordon, McNicol, and Jack, 3.

³⁵ Gordon, McNicol, and Jack, 4.

³⁶ Center for Naval Analyses, 50.

³⁷ Office of the Secretary of Defense, Program Analysis and Evaluation (PA&E), “DoD’s Planning, Programming and Budgeting System (PPBS), A Historical Perspective 37th Annual DoD Cost Analysis Symposium,” 23 February, 2004, slide 8; available from <http://dodcas.org/DoDCAS2004presentations/PPBS.pdf>; Internet; accessed 6 January 2008.

³⁸ U.S. Army War College (USAWC), Department of Command, Leadership, and Management (DCLM), *How the Army Runs A Senior Leader Reference Handbook* (Carlisle Barracks: USAWC DCLM, 2007), 139-140. (Hereafter referred to as HTAR). A similar treatment can be found in the Office of the Secretary of Defense, Program Analysis and Evaluation (PA&E), “DoD’s Planning, Programming and Budgeting System (PPBS), A Historical Perspective 37th Annual DoD Cost Analysis Symposium,” slides11-18.

³⁹ HTAR,139.

⁴⁰ Gordon, McNicol, and Jack,12.

⁴¹ Ibid.

⁴² Ibid.

⁴³ Enthoven and Smith, xii.

⁴⁴ Ibid.

⁴⁵ HTAR, 139-140. A similar treatment can be found in Enthoven and Smith, xii.

⁴⁶ Enthoven and Smith, xii.

⁴⁷ Business Executives for National Security, “Mission Statement,” available from <http://www.bens.org/about-us/mission-statement.html>; Internet; accessed 18 March 2008.

⁴⁸ Business Executives for National Security, “Framing the Problem of PPBS,” Special Report, January 2000, 1-2; available from http://www.bens.org/mis_support/archives/PPBS2000-Framing.pdf; Internet; accessed 18 March 2008.

⁴⁹ Business Executives for National Security, “Changing the Pentagon’s Planning, Programming and Budgeting System: Phase 2 Report,” 1; available from http://www.bens.org/mis_support/archives/PPBS2000-II.pdf; Internet; accessed 18 March 2008.

⁵⁰ Ibid.

⁵¹ Ibid., 25.

⁵² Business Executives for National Security, "Changing the Pentagon's Planning, Programming and Budgeting System: Phase 2 Report," Executive Summary, 3; available from http://www.bens.org/mis_support/archives/PPBS2000-II.pdf; Internet; accessed 18 March 2008.

⁵³ Ibid., 1.

⁵⁴ Business Executives for National Security, "Changing the Pentagon's Planning, Programming and Budgeting System: Phase 2 Report," 27.

⁵⁵ Business Executives for National Security, "Changing the Pentagon's Planning, Programming and Budgeting System: Phase 2 Report," Executive Summary, 2.

⁵⁶ Ibid.

⁵⁷ Under Secretary of Defense (Comptroller) and Director, Program Analysis and Evaluation, "Procedures and Schedule for FY 2010-2015 Integrated Program and Budget Review," memorandum for DoD Components, Washington D.C., 19 February 2008.

⁵⁸ Business Executives for National Security, "Changing the Pentagon's Planning, Programming and Budgeting System: Phase 2 Report," Executive Summary, 3.

⁵⁹ Ibid.

⁶⁰ Clark A. Murdock, et al. *Beyond Goldwater-Nichols: BG-N: Defense Reform for a New Strategic Era: Phase 2 Report* (Washington, D.C.: Center for Strategic and International Studies, March 2004), 4.

⁶¹ Clark A. Murdock, et al. *Beyond Goldwater-Nichols: BG-N: Defense Reform for a New Strategic Era: Phase 1 Report* (Washington, D.C.: Center for Strategic and International Studies, March 2004), 8.

⁶² Ibid.

⁶³ Ibid., 9.

⁶⁴ Ibid.

⁶⁵ Donald H. Rumsfeld, remarks delivered to the DoD Acquisition and Logistics Excellence Week Kickoff—Bureaucracy to Battlefield, Pentagon, Washington, D.C., September 10, 2001; quoted in Institute for Defense Analyses (IDA), *Exploring a New Defense Resource Management System*, IDA Paper P-3756 (Alexandria, VA: IDA, April 2003), 2.

⁶⁶ Ibid., 1.

⁶⁷ Institute for Defense Analyses (IDA), *Exploring a New Defense Resource Management System*, IDA Paper P-3756 (Alexandria, VA: IDA, April 2003), 2.

⁶⁸ Office of the Secretary of Defense, Program Analysis and Evaluation (PA&E), "Defense Programming Database – Data Warehouse (DPD-DW) Department of Defense Cost Analysis Symposium," February 2006; available from <http://www.ra.pae.osd.mil/adodcas/DoDCAS2006presentations/FronzagliaDPDCleared.pdf>; Internet; accessed 6 January 2008.

⁶⁹ Ibid.

⁷⁰ Office of the Secretary of Defense, Program Analysis and Evaluation (PA&E), "DoD's Planning, Programming and Budgeting System (PPBS), A Historical Perspective 37th Annual DoD Cost Analysis Symposium," slide 18.

⁷¹ HTAR, 139-140.

⁷² U.S. Department of Defense DoD Directive 7045.14; *The Planning, Programming, Budgeting, and Execution (PPBE) Process*, Draft. The author participated in reviewing a update to the directive which incorporated more current terminology and process descriptions.

⁷³ U.S. Army War College (USAWC), Department of Command, Leadership, and Management (DCLM), "Defense Resource Management," slide presentation, Carlisle Barracks: USAWC, 6 February 2008, slide 31.

⁷⁴ U.S. Department of Defense, *Joint Defense Capabilities Study* (Washington, D.C.: U.S. Department of Defense, January, 2004), iii.

⁷⁵ Ibid., 2-2.

⁷⁶ Ibid.

⁷⁷ Ibid., iv-v. The paragraph discussion on the four major elements draws from the JDCS narrative on the same subject.

⁷⁸ U.S. Department of Defense, *Joint Defense Capabilities Study*, v.

⁷⁹ Office of the Secretary of Defense, Program Analysis and Evaluation (PA&E), "DoD's Planning, Programming and Budgeting System (PPBS), A Historical Perspective 37th Annual DoD Cost Analysis Symposium," slide 23 and U.S. Department of Defense, *Joint Defense Capabilities Study*, B-10.

⁸⁰ Steven Grimes, *Major Deliverables and Events associated with the Planning, Programming, Budgeting, and Execution (PPBE) Process Calendar*, DRAFT, unpublished. The author previously drafted this document as a desk side reference using a variety of sources.

⁸¹ U.S. Department of Defense, *Joint Defense Capabilities Study*, 2-6 to 2-10.

⁸² Army Force Management School, *Department Of Defense Planning, Programming, Budgeting, and Execution (PPBE) Process / Army Planning, Programming, Budgeting, and Execution (PPBE) Process, An Executive Primer* (Fort Belvoir: Army Force Management School, 2006).

⁸³ U.S. Department of Defense, *Joint Defense Capabilities Study*, 2-6 to 2-10. The following two paragraph discussion draws on material from the cited pages.

⁸⁴ U.S. Department of Defense, *Joint Defense Capabilities Study*, iv.

⁸⁵ U.S. Department of Defense DoD Directive 7045.14; *The Planning, Programming, Budgeting, and Execution (PPBE) Process*, Draft.

⁸⁶ U.S. Department of Defense DoD 7000.14-R, *DoD Financial Management Regulation Volume 2A*, 1-7, June 2004 and U.S. Department of Defense DoD Directive 7045.14; *The Planning, Programming, Budgeting, and Execution (PPBE) Process*, Draft.

⁸⁷ U.S. Department of Defense DoD 7000.14-R, *DoD Financial Management Regulation Volume 2A*, 1-7, June 2004 and Title 31, U.S.C., Section 1105.

⁸⁸ U.S. Department of Defense DoD 7045.7-H, *FYDP Program Structure Handbook*, April 2006, 5. The FYDP is required by Title 10, U.S.C., Sec. 221. The FYDP has been produced one to three times per year since 1962.

⁸⁹ Enthoven and Smith, xiv.

⁹⁰ U.S. Department of Defense DODI 7045.7, *Implementation of the Planning, Programming, and Budgeting System (PPBS)*, 23 May, 1984; available from <http://www.dtic.mil/whs/directives/corres/pdf/704507p.pdf>; accessed 6 January 2008.

⁹¹ Ibid.

⁹² Enthoven and Smith, vii and xxi.

⁹³ Enthoven and Smith, 47.

⁹⁴ Business Executives for National Security, “Changing the Pentagon’s Planning, Programming and Budgeting System: Phase 2 Report,” Executive Summary, 1.

⁹⁵ Hitch, *Decision-Making for Defense*, 63. This idea is one that could have been cited to others, but Hitch echoed this same sentiment 43 years ago. This demonstrates again how DoD must work within certain parameters and the PPBS/PPBE systems internal process must adapt to those constraints.

⁹⁶ Hitch, *Decision-Making for Defense*, 71.

⁹⁷ Charles J. Hitch, “Plans, Programs, And Budgets In The Department Of Defense,” *Operations Research* (January-February 1963): 17.

⁹⁸ Enthoven and Smith, xiv.

